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STATE FOR NEA/ARP, EEB/CBA
COMMERCE FOR ITA COBERG

E.O. 12958: N/A
TAGS: ECON EINV MU
SUBJECT: HELP WANTED ON NEW WASTEWATER PROJECT

Summary

¶1. (SBU) The Omani government is building a new wastewater services network for Muscat, but the Chinese-based contractor charged with managing its construction has since walked off the job. Opportunities await for U.S. firms to pick up the approximately USD 165 million contract in a proposed September retendering process. End Summary.

New Sewer System for Muscat

¶2. (SBU) On August 8, Econoff discussed the status of Muscat's new wastewater network with James Hestad, Plant Manager for Oman Wastewater Services Company (OWSC). Hestad noted that the company, owned by the Ministry of Finance, is charged with constructing and operating a wastewater system for the Muscat Governorate. The Ministry awarded a management services contract for OWSC to French-based Veolia, which currently has nine expatriate staff members on board to turn the company into a world-class facility. The company has instituted a three-phase plan for improving services to Muscat residents, with the new system scheduled to serve over 90% of Muscat's residents by 2017.

Network Malfunction

¶3. (SBU) As part of its expansion program, OWSC awarded, through the Tender Board, a project management contract to Chinese-based Sino-Hydro for the construction of a sewage network collection system. Under the 63 million Omani rial (USD 164 million) tender, Sino-Hydro was responsible for constructing a 300km-long network in the fast-growing neighborhoods of Bausher, Azaiba, Ghubrah, and Qurum, which would bring modern services to over 17,000 residences. Sino-Hydro walked off the job after the impact of Tropical Cyclone Gonu, claiming that it could not complete the network on the current contractual terms as a result of the damage caused by the storm.

Opportunities for U.S. Companies

¶4. (SBU) Hestad speculated that, in spite of the damages caused by Gonu, the company was "hopelessly behind" in meeting its contractual obligations. He noted that only 10% of the network had been completed so far, much of which may

not be useable, given quality considerations. This delay will affect the OWSC's opening of a new sewage treatment plant in March 2008, since it won't be able to function without a network. Furthermore, OWSC may not be able to provide services to the Wave waterfront resort development on account of the delays caused by Sino-Hydro.

¶15. (SBU) As a result, Hestad said that OWSC will be retendering the network construction project. He expects that new tender documents will be finalized by the end of August for prospective applicants. Given the failures of Sino-Hydro, Hestad would like to see a reputable company carry it through completion, such as Halliburton or Bechtel.

¶16. (SBU) Action Request. Embassy will inform local contacts at Halliburton, Bechtel, and GE regarding the upcoming tender announcement. Embassy would appreciate the assistance of Washington colleagues in informing other potential U.S. firms of this opportunity. Economic/Commercial officer Brian Grimm is available to answer further inquiries. He can be reached at GrimmBM@state.gov. End action request.

GRAPPO